



Financial Statement Summary 2021-2022

Montserrat College of Art's (the College) financial statements for fiscal year 2022 illustrate a year of prudent fiscal management of the College's resources and careful containment of unanticipated expenses resulted in a small positive operating surplus for the fiscal year. The FY22 financial statements also reflect an investment loss of just over \$566,000 which follows a year of unprecedented year of positive returns of more than \$678,000 in FY21.

The following discussion and analysis represent additional commentary and data related to the College's financial performance for the fiscal year ended June 30, 2022.

Statement of Financial Position (Total Assets, Liabilities and Net Assets)

The College's total assets on June 30, 2022, were \$17.1 million, which were \$606,000 or 3.7% higher than the previous fiscal year end. This increase is due primarily to the purchase and renovations of a new admissions and student services building. In July of 2021, the College expanded its footprint in downtown Beverly, Massachusetts with the purchase of 9 Dane Street for \$1.3 million and after renovations are completed will relocate Admissions, Advancement, Student Services, Student Clubs, the College Nurse and Wellness Center and the Facilities Department to this new 9,000 square foot building. The backfill space will be developed into additional student studio and lab space that will increase educational opportunities for our students. This investment in property is offset by a \$1.0 decrease in total cash and investments. The decrease in cash and investments is mostly driven by the \$557,000 endowment and short-term investment loss as a result of the downturn in the market.

Total liabilities amounted to \$7.6 million dollars on June 30, 2022, an increase of \$1.2 million dollars or 18.7% higher than the prior year. This increase is primarily driven by the financing of the new property at 9 Dane Street for \$1.1 million and \$463,000 for a new solar initiative across campus.

The resulting total net assets, the equivalent of the College's net worth, totaled \$9.5 million on June 30, 2022. This represents a decrease of \$552,000 or 5.5% below the prior year.

Statement of Activities

Operating Results

The College's total operating revenues remained flat over FY21. Tuition, fees and housing dipped slightly, \$100,000 over prior year, offset by a slight growth in federal and state grants by \$100,000 for HEERF and private grants.

The global pandemic has placed pressure on the College's enrollment. The inability for the admissions team to travel and perform in person recruitment activities has created a unique challenge for recruiting an incoming class resulting in a smaller class than anticipated. Cost containment measures remained in place for FY22 along with increasing admissions recruitment efforts resulted in an increase in operating expenses of approximately \$1.1 million. These costs included, but were not limited to, additional staff, increased recruitment travel, new data reporting and analysis systems, and continued pandemic supports such as personal protective equipment, testing, and mental health support.

The College experienced a slight increase in net assets from operating activities (operating revenues in excess of operating expenses) of \$14,550 which is reflective of the sustained private support to the College coupled with careful cost containment measures.

Non-Operating Results

The College's net assets decreased \$567,000 from non-operating activities from FY21 to FY22. This decrease is the College's investment loss on endowed funds driven by market results.

Looking Ahead

The College's FY22 results are driven by a downturn in investment markets with most of the impact felt by the endowments. In FY23 the College's Board of Trustees Investment Committee has adjusted the investment strategy to help mitigate future losses during such a volatile time. Enrollments for FY23 are trending slower than anticipated which is the result of decreased recruitment activities during the pandemic. The College has planned for these downturns over the last few years by adding to reserves to help provide resources to weather the enrollment challenges. It is expected that the smaller classes in the next few years will add fiscal pressures to the College, but leadership is confident the enrollment decline will rebound with the reinstated recruitment efforts. Cost containment measures continue to be in place, with strategic investments being made in new programs, learning and living environments, infrastructure, and personnel to ensure a strong organization for the future.